

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 2427 - HB 2557

January 25, 2012

SUMMARY OF BILL: Increases from \$1,500 to \$1,600 the maximum value sales tax exemption on the retail sale of computers purchased during the annual sales tax holiday occurring the first weekend of each August. Deletes obsolete language concerning the one-time sales tax holiday that occurred in April 2008.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue - \$36,700

Increase State Expenditures - \$13,100

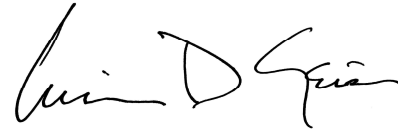
Assumptions:

- According to the Department of Revenue, the loss of state sales tax revenue attributable to the sale of computers during the 2010 sales tax holiday was approximately \$3,100,000.
- The average price of computers purchased during the 2010 sales tax holiday is estimated to be \$1,000.
- The number of computers purchased during the 2010 sales tax holiday is estimated to be 3,100 (\$3,100,000 / \$1,000).
- All estimates in previous assumptions are assumed to remain constant in subsequent years under current law.
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent.
- The fiscal impact of this bill is dependent upon two factors: (1) the number of individuals that will purchase computers during future sales tax holidays for prices between \$1,400 and \$1,500 under current law, that will upgrade to computers priced more than \$1,500, but no more than \$1,600, as a result of this bill, and (2) the number of individuals that will purchase computers during future sales tax holidays for prices exceeding \$1,500, but no more than \$1,600, under current law (these purchases are not exempt under current law, but will become exempt under this bill).
- Twenty percent of all computer purchases made during sales tax holidays (or 620) are for prices between \$1,400 and \$1,500 (at an average price of \$1,450).

- Seventy percent of individuals that will purchase computers for prices between \$1,400 and \$1,500 (at an average price of \$1,450) under current law (or 434) will upgrade their computer purchases during future sales tax holidays to an average price of \$1,550 per computer as a result of this bill. The recurring decrease in state sales tax revenue is estimated to be \$3,038 $[434 \times (\$1,550 - \$1,450) \times 7.0\%]$.
- The number of individuals that will purchase computers during future sales tax holidays for prices exceeding \$1,500, but no more than \$1,600 (at an average price of \$1,550), is estimated to be ten percent of total number of computers sold during sales tax holidays (or 310). The recurring decrease in state sales tax revenue will be \$33,635 $[(310 \times \$1,550) \times 7.0\%]$.
- The total recurring decrease in state revenue will be \$36,673 $(\$3,038 + \$33,635)$.
- Pursuant to Tenn. Code Ann. § 67-6-710(h), the state will reimburse local governments for any loss of revenue attributable to the annual sales tax holiday.
- The increase to state expenditures to hold local governments harmless from loss of revenue will be \$13,098 $\{[434 \times (\$1,550 - \$1,450) \times 2.5\%] + [(310 \times \$1,550) \times 2.5\%]\}$.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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